

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
AID-05 /073 W
-----099315 130627Z /20

R 112227Z APR 78
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 7900
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2369

E. O. 11652: GDS
TAGS: PINT, EC
SUBJECT: FRANCISCO HUERTA'S CANDIDACY IS SHAKY

1. ALTHOUGH THE CAMPAIGN OF LIBERAL PARTY PRESIDENTIAL HOPEFUL FRANCISCO (PANCHE) HUERTA HAS ALREADY SURVIVED SOME ROUGH WEATHER, PRESENT PROBLEMS ARE LIKELY TO EITHER GREATLY DIMINISH HIS POSSIBILITIES IN THE JULY ELECTIONS OR CAUSE HIM TO RESIGN IN FAVOR OF ANOTHER CANDIDATE.

2. HUERTA'S CURRENT PRECARIOUS SITUATION DERIVES FROM A CONTRACT HE SIGNED IN DECEMBER WITH THE MINISTRY OF FINANCES ON BEHALF OF FEDESARROLLO, THE GUAYAQUIL THINK TANK THAT HE DIRECTED, WHICH PAID 11 MILLION SUCRES (APPROX \$423,000 US) FOR A STUDY ON NATIONAL UNEMPLOYMENT. THE CONTRACT HAS BEEN CRITICIZED FOR BEING UNNECESSARY, FOR BEING TOO EXPENSIVE AND FOR BEING A SUBTLE GOE MOVE TO BANKROLL HUERTA'S CANDIDACY. THAT CONTRACT WAS RECENTLY DECLARED VOID BY THE COMPTROLLER GENERAL FOR NOT HAVING BEEN PROPERLY NEGOTIATED AND FEDESARROLLO'S CURRENT EXECUTIVE BOARD HAS DECLARED THAT HUERTA (WHO RESIGNED FROM THAT INSTITUTION WHEN HE BECAME THE LIBERAL NOMINEE) WAS NEVER AUTHORIZED TO SIGN THE SUBJECT CONTRACT. MINISTER OF FINANCES SANTIAGO SEVILLA, IN HIS APRIL 7 RESIGNATION STATEMENT, WHILE ABSOLVING HUERTA
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FROM ANY ILLEGAL OR UNETHICAL CONDUCT, CITED THE COMPTROLLER GENERAL'S VOIDING OF THE CONTRACT ON A TECHNICALITY AS THE REASON FOR HIS DEPARTURE.

3. ALTHOUGH THE NEGOTIATION OF THE CONTRACT APPEARS TO HAVE BEEN STRAIGHTFORWARD AND NO CONVINCING CASE FOR WRONGDOING OR CORRUPTION HAS BEEN MADE, SEVILLA'S

RESIGNATION AND THE GENERAL HULLABALOO HAS GIVEN THE IMPRESSION THAT HUERTA, IN SOME WAY, HAS BEEN UP TO NO GOOD. ALTHOUGH POLITICIANS CANNOT ARTICULATE WHY HUERTA'S POSITION HAS BEEN SERIOUSLY WEAKENED, MOST AGREE THAT IT HAS. THE EMBASSY SHARES THAT VIEW.

4. PERHAPS THE MOST SERIOUS INDICATION OF THE SERIOUSNESS OF HUERTA'S SITUATION, AND A BLOW IN AND OF ITSELF, WAS THE WITHDRAWAL OF EX-VELESQUISTO MANUEL ARAUJO AND HIS POPULAR ACTION FRONT (FAP) FROM THE LIBERAL CAMP. THE DEPARTURE OF THE FAP, PRESENTLY THE LIBERALS' ONLY ELECTORAL ALLY, INDICATES THAT ARAUJO HAS REVISED HIS THINKING ABOUT HUERTA'S ELECTORAL POSSIBILITIES.

5. ALTHOUGH IT IS DIFFICULT TO PREDICT WHETHER HUERTA WILL HOLD ONTO HIS PARTY'S CANDIDACY, IT IS LIKELY THAT THIS INCIDENT WILL SERIOUSLY DIMINISH HIS CHANCES IN THE ABSENCE OF A DRAMATIC AND SUCCESSFUL MOVE ON HIS PART (PERHAPS SOMETHING ALONG THE LINE OF A CHECKERS SPEECH) TO PUT THE INCIDENT TO REST. IF HUERTA CHOOSES TO RENOUNCE HIS CANDIDACY, OR IS REMOVED BY THE PARTY, INTRIGUING POSSIBILITIES APPEAR. FORMER VICE-PRESIDENT (1968-72) JORGE ZAVALA BAQUERIZO IS NOW BEING PROMINENTLY MENTIONED FOR THE FIRST TIME TO REPLACE HIM. THERE IS ALSO CERTAIN ONCE AGAIN TO BE STRONG PRESSURES TO RUN ON RAUL CLEMENTE HUERTA,
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WHOSE CANDIDACY MIGHT OPEN THE WAY TO A PROBABLY UNBEATABLE CFP-LIBERAL ALLIANCE. IF NO STRONG REPLACEMENT IS FOUND, THE CFP'S JAIME ROLDOS SEEMS LIKELY TO MOVE INTO THE SECOND PLACE POSITION IN THE JULY 16 ELECTION AND A RUN-OFF SPOT VERSUS CENTER-RIGHT CANDIDATE SIXTO DURAN-BALLEN, ALTHOUGH DEMOCRATIC LEFT CANDIDATE RODRIGO BORJA'S CHANCES WILL ALSO BE BOOSTED BY THE SCRAMBLE FOR LIBERAL VOTES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ELECTION CANDIDATES, ELECTION CAMPAIGNS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978QUITO02369
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780158-0756
Format: TEL
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780468/aaaacfhr.tel
Line Count: 103
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ce8d61b2-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3000046
Secure: OPEN
Status: NATIVE
Subject: FRANCISCO HUERTA'S CANDIDACY IS SHAKY
TAGS: PINT, EC, (HUERTA, FRANCISCO)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/ce8d61b2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014